



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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Third District

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MICHAEL D. ANTONOVICH  
Fifth District

December 22, 2009

To: Supervisor Gloria Molina, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

## STATUS REPORT ON LOS ANGELES CITY BUSINESS TAX REGISTRATION CERTIFICATE

On September 29, 2009, on a motion by Supervisors Antonovich and Molina, your Board directed the Chief Executive Office (CEO) to prepare a five-signature letter to the Mayor, City Council and the City Controller of the City of Los Angeles (City), requesting that:

- The City cease pursuing the licensure and taxation of businesses located in unincorporated communities, or related enforcement action, until controls are put in place to ensure that such licensure is appropriate and lawful, and that businesses are being appropriately screened for proper jurisdiction;
- The Office of the City Controller conduct an audit of the City's Finance Business License Office, with specific emphasis on the adequacy of existing procedures and controls for verifying that licensees are appropriately screened for improper issuance of licenses or related enforcement actions against businesses located outside City boundaries, and to review the mechanism by which third-party vendors are contracted;
- The City's Office of Finance cooperate with the County Treasurer and Tax Collector (TTC) and Auditor-Controller on the following two items:
  - Convene a joint City/County workgroup to examine and document the process by which City License Office staff identifies the government agency with controlling jurisdiction for licensing and taxing businesses and

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establish a formal mechanism for referring business owners to the appropriate jurisdiction;

- Quantify the total number of County businesses impacted by extra-jurisdictional licensure and taxation by obtaining and reviewing City records of business tax licenses and police alarm permits issued to entities outside the physical boundaries of the City.

On November 6, 2009, we provided your Board with a status report stating that there are several reasons why a business located outside of the City limits might be issued a Business Tax Registration Certificate (BTRC). In addition, we reported that we are making good progress with the City to resolve the issues raised in the motion and subsequently deferred from sending a five-signature letter at that time. We also stated that we would provide your Board with a comprehensive report regarding the unincorporated area businesses impacted by the City's BTRC requirements.

### **On-Going Activities**

Our office requested the current list of all businesses with a BTRC whose addresses contain the zip code of an unincorporated area. Subsequently, we received a list from the City's Office of Finance containing 132,067 business records. In order to accurately verify proper jurisdictional boundaries, the Internal Services Department's Urban Research (UR) Unit assessed these business addresses by comparing them against County records using a variety of GIS based programs. On November 18, 2009, UR finished the comparison of the records and provided our office with the following seven geo-coded reports:

#### **Report #1 – County Address Misallocations**

Contains 377 business addresses that the City considers inside their boundaries. However, UR software determined they are within unincorporated areas of the County.

#### **Report #2 - County Address Good Allocations**

Contains 5,330 business addresses that the City considers outside of their boundaries and UR software determined they are within unincorporated areas of the County.

#### **Report #3 - City Address Misallocations**

Contains 1,320 business addresses that the City considers outside of their boundaries. However, UR software determined they are within the City's boundaries.

Report #4 – Invalid Addresses

Contains 350 business addresses that UR software could not determine the jurisdiction because the address is either a PO Box, or it contains a typo or misspelling in one of the fields.

Report #5 - City Address Good Allocations

Contains 118,330 business addresses that the City considers inside of their boundaries and UR software concurs.

Report #6 - Other City Address Misallocations

Contains 184 business addresses that the City considers inside of their boundaries. However, UR software determined that they are neither in the City, nor in the County.

Report #7 - Other City Address Good Allocations

Contains 6,176 business addresses that the City considers outside of their boundaries and UR software determined that they are not within the unincorporated areas of the County.

In order to thoroughly clean up the Office of Finance's database, the joint workgroup wants to continually meet to:

- Discuss how UR determined which businesses lay within the respective jurisdictional boundaries.
- Investigate the source of the jurisdictional discrepancies found in UR reports.
- Resolve the issues related to these discrepancies to prevent any future errors.

Staff from TTC, who are familiar with the Business License Program, will be conducting a review of the businesses. Since the County Business License Ordinance is a regulatory ordinance and not a taxing ordinance like the City of Los Angeles, many of the business activities that would require a City Business License do not require a County Business License. TTC will review the businesses in Reports 1, 2 and 3 to first determine if their activities require a County Business License and secondly if they have an existing County Business License or need to apply for one. In addition, TTC will re-affirm that the businesses listed in Report 6 are located outside of the unincorporated areas of the County.

Each Supervisor  
December 22, 2009  
Page 4

Additionally, staff members from the CEO and TTC are working collaboratively to design a new, informational pamphlet to share with Business Owners inquiring about County Business Licenses. The Business License application links on TTC's website will be modified to include additional helpful information by January 1, 2010. Once these changes are in place, we plan to share our pamphlets and links with the City and request the City update and revise their BTRC website and related materials.

We plan to return to your Board with a status report by February 13, 2010 regarding the resolutions of the joint work group, the results of the review, and the execution of the public awareness outreach.

### **Other Related Issues**

Since the initial status report, our office has reviewed the current information available online and in person for the County and the City business owners. Neither the County nor the City describes jurisdictional boundaries in any of their materials. It is essential for business owners and the public to understand the definition of jurisdiction and to verify their proper jurisdiction. As a preventive measure against erroneous licensure and taxation, our revised materials will help define jurisdiction and provide resources for those who want to verify their jurisdiction.

Since there are several reasons a business located in an unincorporated area might be required to obtain a BTRC, further action must be taken in an effort to identify which of these businesses are appropriately paying for a City BTRC and which businesses, if any, require a County Business License.

Should you have any questions regarding this memorandum, please contact me or your staff may contact Gevork Simdjian at (213) 893-9736 or via email at [gsimdjian@ceo.lacounty.gov](mailto:gsimdjian@ceo.lacounty.gov).

WTF:EFS  
GS:LG:cg

c: Auditor-Controller  
Internal Services Department  
Treasurer and Tax Collector